

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **2007-12-10**  
SEC Accession No. **0000950152-07-009524**

([HTML Version](#) on [secdatabase.com](#))

### SUBJECT COMPANY

#### **LNB BANCORP INC**

CIK: **737210** | IRS No.: **341406303** | State of Incorporation: **OH** | Fiscal Year End: **1231**  
Type: **SC 13D/A** | Act: **34** | File No.: **005-58535** | Film No.: **071295139**  
SIC: **6022** State commercial banks

Business Address  
457 BROADWAY  
LORAIN OH 44052-1769  
800-860-1007

### FILED BY

#### **AMG Investments, LLC**

CIK: **1399850** | IRS No.: **000000000** | State of Incorporation: **OH** | Fiscal Year End: **1231**  
Type: **SC 13D/A**

Mailing Address  
8500 STATION STREET,  
SUITE 113  
MENTOR OH 44060

Business Address  
8500 STATION STREET,  
SUITE 113  
MENTOR OH 44060  
440-951-1111



OMB APPROVAL

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hours per response...15

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. 3)\***

**LNB Bancorp, Inc.**

(Name of Issuer)

Common Stock

(Title of Class of Securities)

502100-10-0

(CUSIP Number)

Christopher J. Hubbert  
Kohrman Jackson & Krantz P.L.L.  
1375 E. 9th Street,  
Cleveland, OH 44114  
(216) 696-8700

(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

December 7, 2007

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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<b>1</b>	NAMES OF REPORTING PERSONS:  AMG Investments, LLC  I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):  (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
<b>3</b>	SEC USE ONLY:	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS):  OO	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e):  <input type="checkbox"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION:  Ohio	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER:  580,105
	<b>8</b>	SHARED VOTING POWER:
	<b>9</b>	SOLE DISPOSITIVE POWER:  580,105
	<b>10</b>	SHARED DISPOSITIVE POWER:
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:  580,105	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):  <input type="checkbox"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11):  7.95%	

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

OO

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<b>1</b>	NAMES OF REPORTING PERSONS:  Steven A. Calabrese  I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):  (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
<b>3</b>	SEC USE ONLY:	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS):  OO	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e):  <input type="checkbox"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION:  United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER:
	<b>8</b>	SHARED VOTING POWER:  580,105
	<b>9</b>	SOLE DISPOSITIVE POWER:
	<b>10</b>	SHARED DISPOSITIVE POWER:  580,105
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:  580,105	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):  <input type="checkbox"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11):  7.95%	

**14**

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

IN

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<b>1</b>	NAMES OF REPORTING PERSONS:  Richard M. Osborne  I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):  (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
<b>3</b>	SEC USE ONLY:	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS):  OO	
<b>5</b>	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e):  <input type="checkbox"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION:  United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	SOLE VOTING POWER:
	<b>8</b>	SHARED VOTING POWER:  580,105
	<b>9</b>	SOLE DISPOSITIVE POWER:
	<b>10</b>	SHARED DISPOSITIVE POWER:  580,105
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:  580,105	
<b>12</b>	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):  <input type="checkbox"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11):  7.95%	

**14**

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

IN

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**Introduction.**

Pursuant to Rule 13d-1(k), this Amendment No. 3 to Schedule 13D is filed by AMG Investments, LLC, an Ohio limited liability company (“AMG”), Steven A. Calabrese and Richard M. Osborne, relating to shares of common stock, par value \$1.00 per share (the “Shares”), of LNB Bancorp, Inc., an Ohio corporation (the “Company”).

**Item 3. Source and Amount of Funds or Other Consideration.**

Item 3 is amended and supplemented as follows:

The Shares reported in Item 5(c) as having been acquired by AMG were acquired for the aggregate purchase price of approximately \$214,502 (excluding commissions) with margin debt from Wachovia Securities. Interest on the margin debt is computed at a select rate above the rate banks charge securities brokers (“call money rate”) and is subject to change, without notice, if the call money rate changes. To the extent permitted by law, Wachovia has a lien on certain of the Shares reported herein as having been acquired by AMG.

**Item 4. Purpose of Transaction.**

Item 4 is amended and supplemented as follows:

As LNB’s largest shareholder, AMG has a significant stake in understanding the accounting policies and procedures adopted by LNB. On December 7, 2007, AMG sent a letter to LNB requesting that LNB explain to all shareholders through clear and transparent disclosure its early adoption of Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The letter is attached as Exhibit 7.1.

**Item 5. Interest in Securities of the Issuer.**

Items 5(a) and 5(c) are amended and supplemented as follows:

(a) According to the most recently available filing with the Securities and Exchange Commission by the Company, there are 7,295,663 Shares outstanding.

AMG beneficially owns 580,105 Shares, or 7.95% of the outstanding Shares. As managing members of AMG, each of Mr. Calabrese and Mr. Osborne may be deemed to beneficially own all Shares held by AMG.

(c) Since the filing of Amendment No. 2 to Schedule 13D on October 26, 2007, AMG purchased 15,200 Shares in open market transactions as set forth below:

Date	Number of Shares	Approximate Per Share Price (Excluding Commissions)
10/25/07	1,000	\$ 14.25
10/25/07	3,000	\$ 14.15
11/9/07	700	\$ 13.25
11/13/07	100	\$ 13.47
11/14/07	3,000	\$ 14.10
11/14/07	1,000	\$ 14.01
11/14/07	200	\$ 14.00
11/15/07	6,000	\$ 14.20
11/20/07	200	\$ 14.35

**Item 7. Material to be Filed as Exhibits.**

7.1 Letter to LNB Bancorp, Inc. dated December 7, 2007

7.2 Joint Filing Agreement

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**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: December 10, 2007

**AMG Investments, LLC**

/s/ Richard M. Osborne

By: Richard M. Osborne

Its: Managing Member

/s/ Richard M. Osborne

**Richard M. Osborne, Individually**

/s/ Steven A. Calabrese

**Steven A. Calabrese, Individually**

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## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
7.1	Letter to LNB Bancorp, Inc. dated December 7, 2007
7.2	Joint Filing Agreement



**AMG Investments, LLC**  
8500 Station Street, Suite 113  
Mentor, Ohio 44060  
Phone: 440-951-1111  
Fax: 440-255-8645

December 7, 2007

Via Facsimile and Certified U.S. Mail

Sharon L. Churchill  
Chief Financial Officer  
LNB Bancorp, Inc.  
457 Broadway  
Lorain, Ohio 44052-1769

Re: *LNB's Adoption of SFAS No. 159*

Dear Ms. Churchill,

As the largest shareholder in LNB Bancorp, we have a significant stake in making sure we understand the accounting policies and procedures adopted by LNB. In reviewing LNB's filings with the Securities and Exchange Commission, we noted that in its Form 10-Q for the quarter ended March 31, 2007, LNB reported that it had elected to adopt Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement 159). We are uncertain of the disclosures made by LNB related to Statement 159 and would appreciate further explanation from LNB regarding its adoption of the statement.

By way of background, we thought we should clarify what our understanding is of Statement 159, as well as our impressions of what LNB did in its adoption of the new accounting standard. As we are sure you are aware, Statement 159 allows companies to choose to measure many financial instruments at fair value. The Financial Accounting Standards Board promulgated Statement 159 in February 2007 to "improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions." Statement 159 is effective for fiscal years beginning after November 15, 2007. However, companies may adopt Statement 159 for an earlier fiscal year, as LNB did in the first quarter of 2007, if certain conditions are met.

Upon adoption of Statement 159, the effect of the remeasurement of instruments to fair value is reported as a cumulative-effect adjustment to the opening balance of retained earnings – with no effect on net income. Therefore, there is a risk that some companies might adopt Statement 159 in order to avoid recognizing losses that otherwise would be reflected in net income. To address this risk the Center for Audit Quality (CAQ) issued an alert to its members in April 2007. The CAQ indicated that if a company's reasons for adopting Statement 159 were not substantive then the adoption would not be considered a proper application of the statement and would not be in



accordance with GAAP. The CAQ advised auditors to “exercise appropriate professional skepticism and be alert for circumstances in which an entity proposes to adopt [Statement] 159 in a manner that is contrary to the principles and objectives outlined in the standard.” The CAQ noted, for example, a company’s adoption of Statement 159 for certain underwater available-for-sale and held to maturity investment securities but not newly-purchased investment securities might well be improper. The CAQ concluded that if a company determines to adopt Statement 159 early and unrealized losses are being recorded to retained earnings, the company “should provide *clear and transparent* disclosure of the reasons for electing the fair value option for specific eligible items and for not electing the fair value option for other eligible items within a group of similar items, including a discussion of any accounting motivations of such elections.” (Emphasis added.)

According to disclosure contained in its first quarter Form 10-Q, LNB selected the fair value measurement option for approximately a third of its available-for-sale investment securities, consisting of substantially all of the bank’s seven-year balloon and fifteen-year mortgage-backed securities. This resulted in a one-time charge to retained earnings of \$1.2 million as of January 1, 2007, but had no impact on net income. In other words, it appears that LNB avoided reporting a \$1.2 million loss in the first quarter by virtue of the adoption of Statement 159.

LNB’s disclosure in its Form 10-Q for the third quarter indicates that while the adjustment of \$1.2 million under Statement 159 is permanent, there was no “material impact to shareholders’ equity because [LNB] had already recorded the market value adjustment in ‘accumulated other comprehensive loss’ at December 31, 2006.” Meaning, as we understand is necessary for such accounting treatment, that just weeks before the first quarter was completed, LNB determined for its year end 2006 audit to record the losses on the applicable mortgage-backed securities as “accumulated other comprehensive loss” as they were deemed temporary, not related to credit impairment and management represented it had the intent and the ability to hold the securities until full recovery. Nevertheless, only weeks later LNB adopted Statement 159.

Then, during the first quarter, it appears LNB reclassified these available-for-sale mortgage-backed securities to trading securities, allowing LNB to report a gain in earnings of \$473,000 for the first quarter on the same securities that the company had just written-down. LNB admitted in a press release and the Form 10-Q for the first quarter that the increase in net income for the first quarter was primarily the result of recording gains on these securities. In fact, had the \$473,000 not been reported in income, net income in the first quarter of 2007 would have been less, and substantially less than the first quarter of 2006, as LNB reported net income of \$1.535 million, including the \$473,000 gain, in 2007 compared to \$1.448 million in 2006.

The impact of the adoption of Statement 159 on LNB’s second and third quarters of 2007 is also unclear from LNB’s filings. LNB indicated in its first quarter Form 10-Q that LNB anticipated restructuring Morgan Bank’s investment portfolio in connection with the acquisition of Morgan Bank, which subsequently occurred in May 2007. Through the adoption of Statement 159 was LNB able to sell underwater mortgage-backed securities on its and Morgan Bank’s balance sheet, reinvest the proceeds in higher yielding securities and improve second and third quarter net interest margins, all while achieving a balance sheet restructuring without any negative impact on earnings?

As we are also sure you are aware, a number of financial institutions, including Boardwalk Bancorp, Inc., Colonial BancGroup, Inc. and First United Corp., that early adopted Standard 159 have since rescinded their adoption. Given the risks that early adoption of Statement 159 may

entail, we request that LNB' s audit committee review the propriety of the statement' s adoption by LNB and consider whether any change is required. Assuming LNB' s adoption of Statement 159 was appropriate, we feel for the sake of *clear and transparent* disclosure LNB should address the following in disclosure made available to all shareholders through SEC filings or otherwise:

The reasons for selecting the fair value option for certain securities and not other eligible securities and whether LNB intends to measure these selected securities at fair value with changes reported in earnings on a going-forward basis;

If management has sold or intends to sell securities for which the fair value option has been elected, provide information regarding the use of proceeds;

The impact of the adoption of Statement 159 on earnings following the first quarter of 2007, including if the proceeds of the sale of the applicable securities were used to purchase other securities, which may have been higher yielding securities;

The impact of early adoption of Statement 159 on LNB' s performance and ability to meet analyst' s expectations, LNB' s ability to meet regulatory or contractual requirements, and on management' s incentive compensation, including 2007 bonuses;

Any differences between LNB' s tax and accounting treatment of the effect of the adoption of Standard 159; and

Provide any other material information that would be meaningful to shareholders in assessing the effect of adopting Statement 159 early.

We recognize the complexities involved in the thorough consideration of new accounting policies and procedures and, on behalf of the shareholders of LNB, we thank you in advance for your careful consideration of this matter. Please feel free to contact us if you have any questions regarding our concerns or if we can otherwise be of any assistance.

Respectfully Submitted,

AMG Investments, LLC

/s/ Richard M. Osborne

/s/ Steven A. Calabrese

By Richard M. Osborne and Steven A. Calabrese, Co-Managers



**AGREEMENT OF JOINT FILING**

Pursuant to Rule 13d-1(k) promulgated under the Securities Exchange Act of 1934, as amended, the undersigned persons hereby agree to file with the Securities and Exchange Commission, the Statement on Schedule 13D (the "Statement") to which this Agreement is attached as an exhibit, and agree that such Statement, as so filed, is filed on behalf of each of them.

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement.

Date: December 10, 2007

**AMG Investments, LLC**

/s/ Richard M. Osborne

By: Richard M. Osborne

Its: Managing Member

/s/ Richard M. Osborne

**Richard M. Osborne, Individually**

/s/ Steven A. Calabrese

**Steven A. Calabrese, Individually**